

# Appendix **B**

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## Financing Small Business

### Synopsis

Small businesses use a variety of financing sources, including informal resources such as friends and business associates, financial intermediaries such as banks and finance companies, and the public markets. Both small business lending and equity investment in small firms were up in 1995.

Moderate growth in demand for credit and the easing of credit policy by the Federal Reserve Board contributed to declines in most interest rates in the credit markets in 1995. Although long-term interest rates declined by some 180 basis points, however, small firm borrowing costs showed only limited declines. The prime rate—the index rate for most small business variable-rate loans—declined only 35 basis points in 1995.

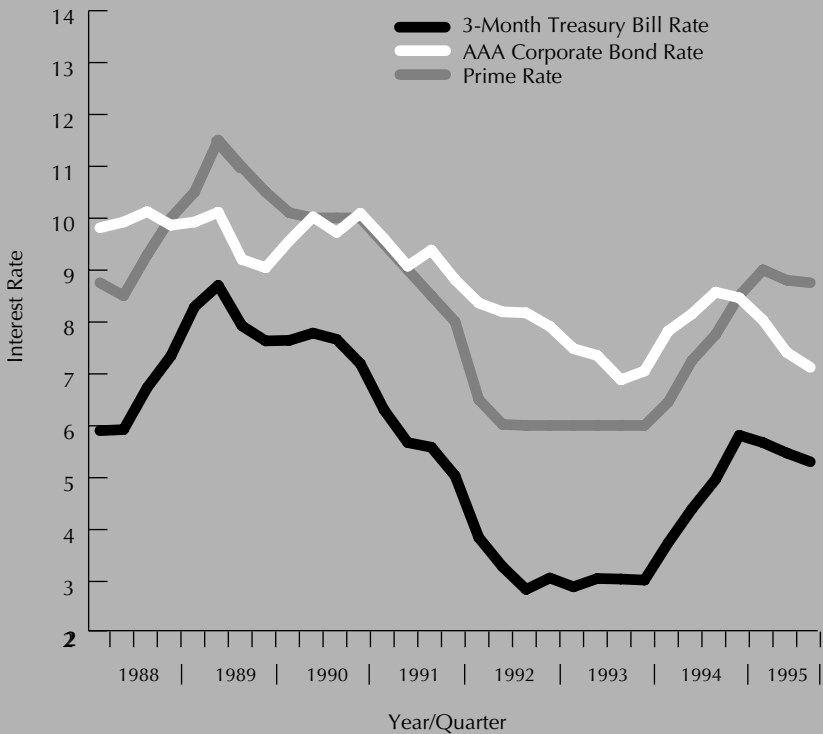
While overall borrowing by U.S. domestic sectors showed only moderate increases, business borrowing surged to an annual rate of \$211 billion in 1995, a level comparable to the high levels of 1986–1988. Lending to small firms, including bank and finance company lending, increased significantly during the year. Because large C&I loans were increasing so rapidly, however, the small business share of total loans declined slightly, from 40.4 percent in June 1994 to 39.2 percent in June 1995.

A booming stock market contributed to a very active small business equity capital market. Initial public offerings were up significantly. Funds raised by venture capital firms reached a new high of \$4.4 billion.

### Credit Conditions for U.S. Businesses in 1995

High interest rates in 1994 continued to slow business activity in the United States into 1995. Moderate growth in the demand for credit resulted in declines in most interest rates in the credit markets in 1995, except small business rates, which remained high. With the Federal Reserve Board easing up on the credit markets after spring 1995, long-term interest rates declined steadily. AAA corporate bond rates declined from 8.68 percent in November 1994 to 6.82 percent in December 1995. The yield curve flattened significantly, as long-term rates declined faster than short-term rates during this period (Chart B.1).

**Chart B.1** *Long- and Short-Term U.S. Interest Rates Rates, January 1988–December 1995*



Source: U.S. Board of Governors of The Federal Reserve System, *Federal Reserve Bulletin*, various issues.

## Uses of Funds by Major Sectors

Overall borrowing by U.S. domestic sectors increased moderately in 1995 after a slight decrease in 1994. Most of the increases in 1995 came from the business sector. Borrowing by other sectors changed little or declined slightly. Business borrowing surged to an annual rate of \$211 billion in 1995, a level comparable to the high levels of the 1986-1988 period. Borrowing by the nonfarm, noncorporate sector also increased in 1995 to an annual rate of \$38 billion (Tables B.3 and B.5). Increases in capital expenditures contributed much to the increase in demand for financing by the business sector.

## Small Business Borrowing

Small businesses use a variety of financing sources, including internal resources such as owners' savings, business retained earnings, and depreciation; "informal" external sources, such as friends and business associates; financial intermediaries, such as banks and finance companies; and the public markets, where standardized financial instruments are sold to many buyers.

Small businesses use many different types of credit (Table B.2).<sup>1</sup> Preliminary results of the 1993 National Survey of Small Business Finances indicates that some 55 percent of small firms used selected credit and 61 percent used trade credit.

An ample supply of funds and continued high borrowing costs characterized the small firm financing markets in 1995. Although other market interest rates declined steadily in 1995, borrowing costs paid by small firms showed slight upward movement (Tables B.6 and B.7).

Loans rates paid by small firms have remained the same or declined somewhat in the recent past. While market interest rates declined from their peak in early 1995 by about 180 basis points for long-term rates and about 60 basis points for three-month Treasury bill rates, the prime rate quoted by banks declined only 35 basis points. The prime rate has become the index rate for small business loans; a lower-than-prime rate is now normally charged to prime borrowers.<sup>2</sup> The rate spread between small loan rates and the below-prime rates paid by larger borrowers widened in 1995. Higher margins, however, did motivate bankers to promote small business lending.

## Lending to Small Businesses by Commercial Banks

While the lack of time series data on small business lending prevents analysis of changes in the availability of bank credit to businesses, indications are that bank lending to small businesses increased further during 1995.<sup>3</sup>

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<sup>1</sup> Efforts to analyze changes in financing used by small firms are hampered by a lack of statistics. Some data are available, however, on the volume of financing provided by some suppliers. In an effort to obtain additional information, the U.S. Small Business Administration and the Federal Reserve Board have sponsored a second nationwide survey of small business financing, the 1993 National Survey of Small Business Finances. For tabulations, see John Wolken and Rebel Cole, "Financial Services Used by Small Businesses: Evidence from the 1993 National Survey of Small Business Finances," *Federal Reserve Bulletin*, July 1995.

<sup>2</sup> Below prime lending to larger firms is very common. More than 60 percent of bank loans with 1- to 12-month maturities were made at below the prime rate in 1995. Computed from loan rate data from *Survey of Terms of Bank Lending*, various issues.

<sup>3</sup> Data on bank lending to small businesses became available with the June 1993 call reports filed with financial regulatory authorities. However, because of data reporting and collection difficulties, it is still difficult to measure changes in the number and amount of small loans from June 1994 to June 1995. All commercial banks are required to report in their June call report filings the number and dollar amount of their commercial and industrial and nonresidential real estate loans by loan size.

- A survey of bankers indicated that a still significant net number of domestic respondents reported strong demand for loans by small and medium-sized businesses.<sup>4</sup>
- Lending by small banks showed a significant increase in 1995. Commercial and industrial (C&I) loans by small banks, a proxy for small business lending, increased at an annual rate of 11.7 percent during 1995, compared with a 5.1 percent increase in 1994 (Table B.8). Lending by large banks increased by 10.8 percent during this period, although the increase in total assets was even larger.<sup>5</sup>
- Lending by banks that made primarily small loans (less than \$1 million) also increased. Total business loans (C&I and business real estate loans) by small banks that extend mostly small loans increased by about 12.8 percent from June 1994 to June 1995 (Table B.9).<sup>6</sup>

## Profile of Bank Lending to Small Businesses in 1995

Some 5.9 million small business loans were outstanding from 10,149 federally insured domestic banks in June 1995.<sup>7</sup> These loans totaled \$316 billion and accounted for 39.2 percent of total business loan dollars (Chart B.2). The small business total includes \$165 billion in C&I loans and \$151 billion in nonfarm, nonresidential real estate loans (Table B.10). Small loans represent a larger proportion (52 percent) of total nonresidential real estate loans than of total C&I loans (32 percent) (Chart B.3).

The small business share of total business loans declined slightly, from 40.4 percent in June 1994 to 39.2 percent in June 1995 (Chart B.2). Larger increases in large C&I loans during this period contributed to the decline (Table B.11).<sup>8</sup>

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<sup>4</sup> Federal Reserve Board, *Senior Loan Officer Opinion Survey on Bank Lending Practices* (Washington, D.C.: Board of Governors of the Federal Reserve System, November 1995).

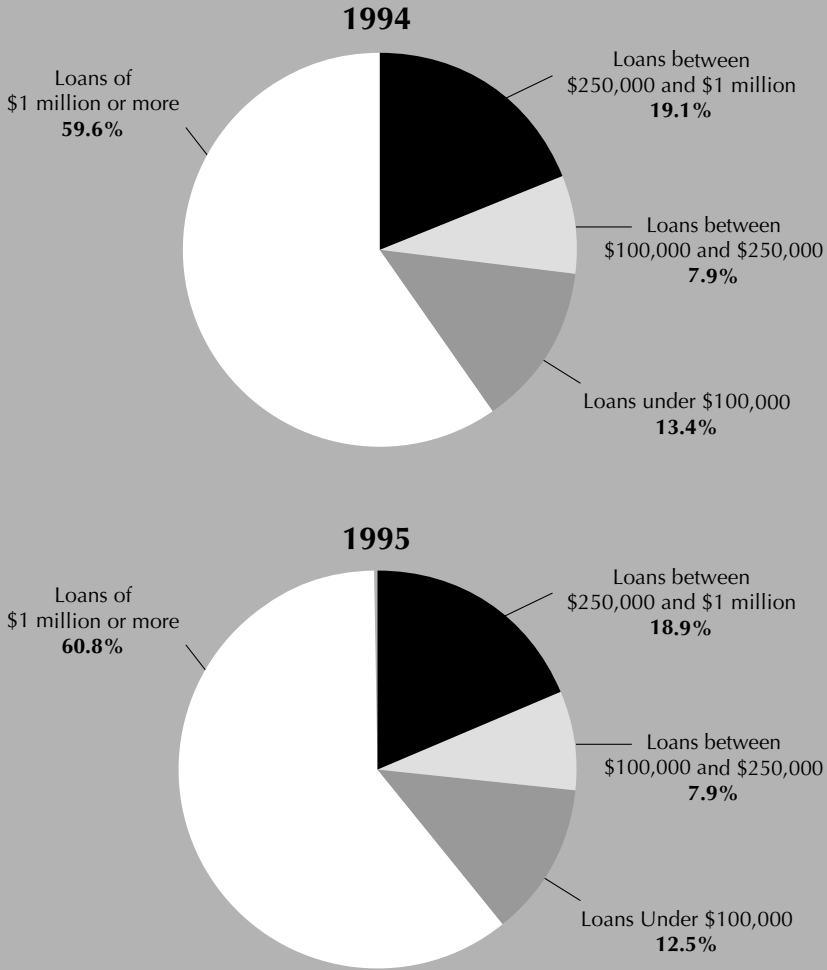
<sup>5</sup> The total assets of large weekly reporting banks have increased much faster than those of other (small) banks.

<sup>6</sup> Federal Reserve Board, *Information on Depository Credit for Small Businesses and Small Farms* (Washington, DC: Board of Governors of the Federal Reserve System, December 1995), Table A.5. C&I loans for these banks increased by 12.7 percent between June 1994 and June 1995, a rate quite comparable to that for small banks.

<sup>7</sup> Small business loans are defined here as business loans of less than \$1 million. This is the definition used by the Federal Reserve Board and the Comptroller of Currency. The U.S. Small Business Administration's Office of Advocacy used a different definition in compiling *Small Business Lending in the United States, 1995 Edition*. There were about 4.44 million C&I loans of less than \$250,000 with a total outstanding value of \$98.3 billion and 1.0 million nonresidential real estate loans of less than \$250,000 valued at \$65.6 billion.

<sup>8</sup> This development contradicts observations in Table B.8, where growth in lending was found to be greater in small banks than in large banks between December 1994 and December 1995.

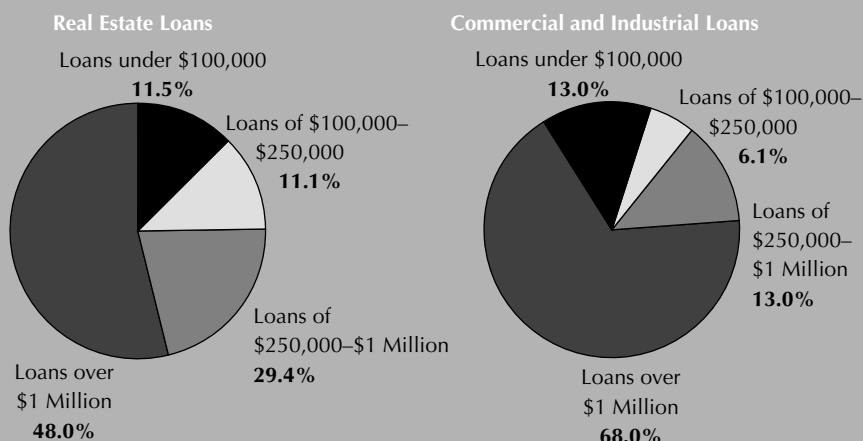
**Chart B.2** *Distribution of Total Business Loan Dollars by Loan Size, 1994 and 1995 (Percent)*



Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from special tabulations of the June 1994 call reports (*Consolidated Reports of Condition and Income for U.S. Banks*) prepared by James Kolari, Texas A&M University, College Station, Texas.

The 193 largest banks—banks with assets of more than \$3 billion—supplied 40.6 percent and 34.8 percent, respectively, of small business C&I and mortgage loans, compared with 38 percent and 32 percent, respectively, in 1994 (Chart B.4). The growth was attributable as much to increases in both

**Chart B.3** *Distribution of Commercial and Industrial and Real Estate Loan Dollars by Loan Size, June 1995 (Percent)*



Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from special tabulations of June 1995 call reports (*Consolidated Reports of Condition and Income for U.S. Banks*) prepared by James Kolari, Texas A&M University, College Station, Texas.

the number and total assets of these larger banks as to an increased small business share of their lending.<sup>9</sup>

The largest banks' share of the smallest C&I and real estate loans—those under \$100,000—also increased, from 26 percent and 16 percent, respectively, in 1994 to 29.3 percent and 19.3 percent in 1995 (Table B.12). Small banks with assets under \$300 million are the major suppliers of loans under \$100,000, accounting for more than two-thirds of mortgage loans and more than 50 percent of C&I loans (Chart B.5).

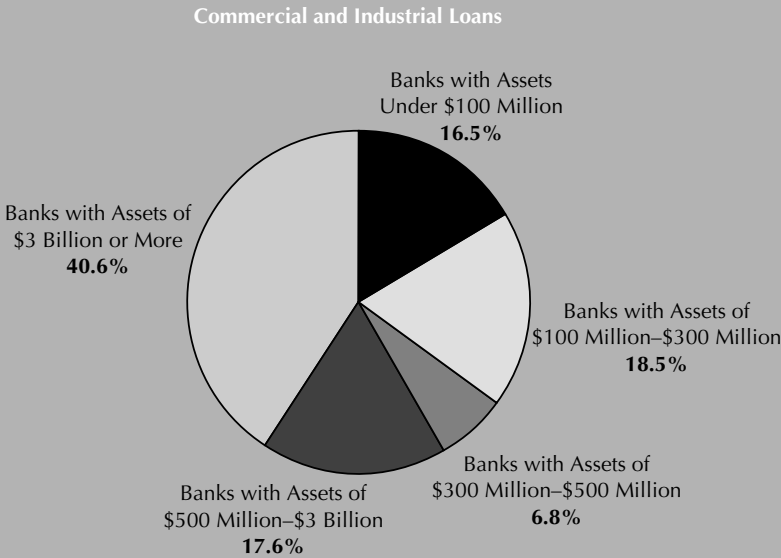
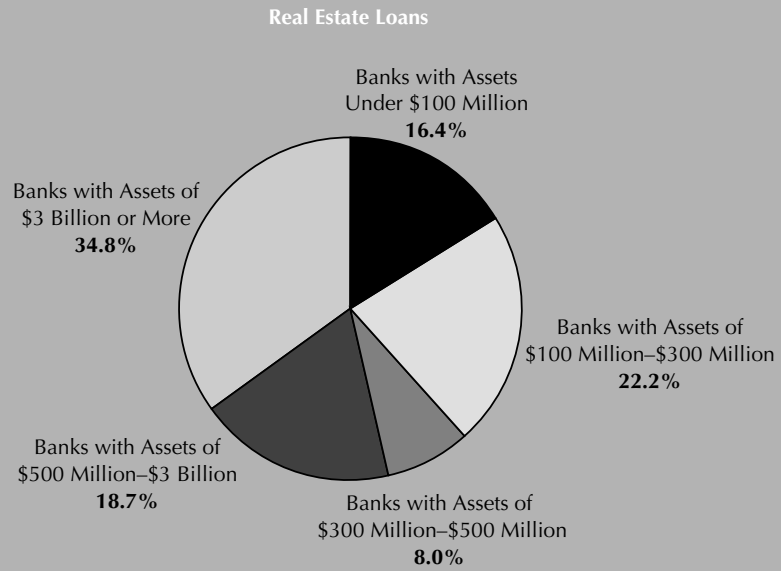
In sum, banks of all sizes have been active in small business lending, and it appears that a number of large banks became more active in 1995. Small banks, however, remained the predominant lenders to very small borrowers.

## Lending Under the SBA's Guarantee Programs

The number of business loans guaranteed by the U.S. Small Business Administration (SBA) increased significantly in 1995, although the total dollar

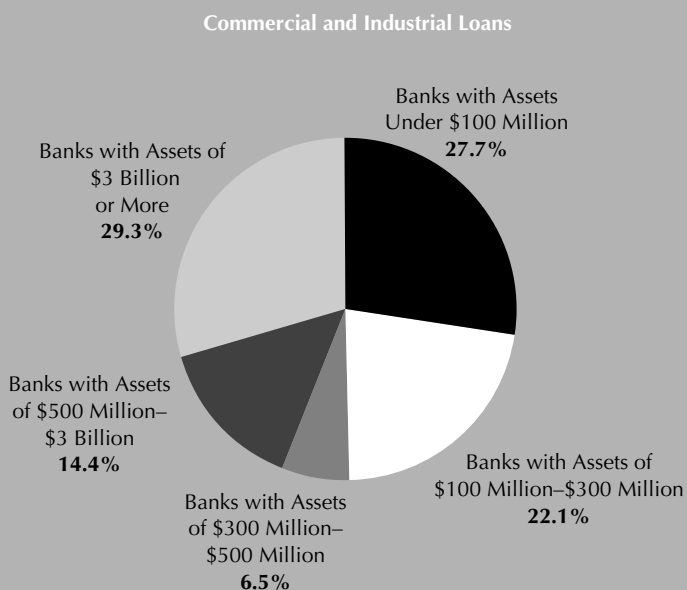
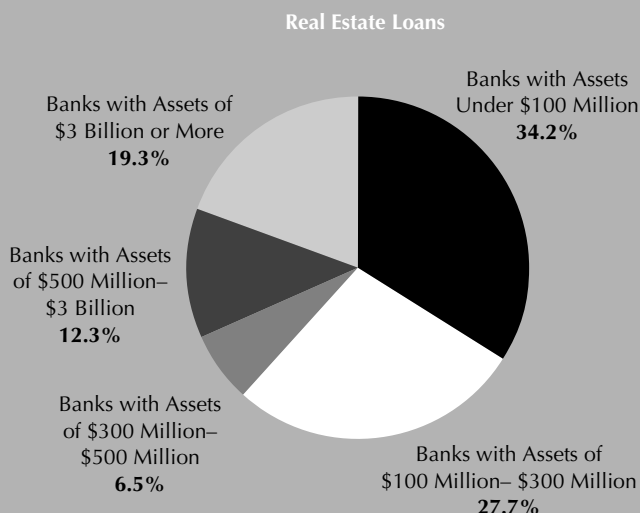
<sup>9</sup> The share of total assets in the industry for this group increased from 60.6 percent in June 1994 to 63 percent in June 1995. The ratio of small business loans to total assets for 175 giant banks (with assets of \$3 billion or more) increased from 2.1 percent in 1994 to 2.26 percent in 1995.

**Chart B.4** *Banks' Share of Small Business Commercial and Industrial and Real Estate Loans under \$1 Million, by Bank Size, June 1995 (Percent of Loan Dollars)*



Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from special tabulations of June 1995 call reports (*Consolidated Reports of Condition and Income for U.S. Banks*) prepared by James Kolari, Texas A&M University, College Station, Texas.

**Chart B.5** *Banks' Share of Small Business Commercial and Industrial and Real Estate Loans Under \$100,000, by Bank Size, June 1995 (Percent of Loan Dollars)*



Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from special tabulations of June 1995 call reports (*Consolidated Reports of Condition and Income for U.S. Banks*) prepared by James Kolari, Texas A&M University, College Station, Texas.



amount was up only 1 percent, to \$8.26 billion.<sup>10</sup> Much of the increase was the result of SBA's efforts to promote the microloan, export revolving line-of-credit, women-owned business loan prequalification and low-documentation loan programs. The number of 7(a) loans increased by 52.4 percent from 36,480 in FY 1994 to 55,596 in FY 1995. Loans under \$100,000 more than doubled over the fiscal year, from 15,527 to 36,039, and low-documentation loans increased fivefold, from 5,862 to 30,880.

## Lending by Finance Companies

Lending by finance companies continued to increase during the first nine months of 1995, although at a slower pace (Table B.13). Finance companies have been steadily expanding small business lending by entering various niche markets."Captive" finance companies—those owned by major nonfinancial corporations—offered vehicle and equipment financing for their parent manufacturing companies.<sup>11</sup>

## Borrowing in the Public Issue Markets

A booming stock market resulted in explosive initial public offering (IPO) activity during 1995. Common stock IPOs increased significantly, totaling \$29.7 billion for 579 issues, as compared with \$28.5 billion for 608 issues in 1994 (Table B.14). The average size of IPOs also increased from \$46.8 million to \$51.2 million per issue. Offerings by firms having less than \$10 million in total assets before the public issue increased from \$2.1 billion in 1994 to \$3.1 billion, a record high compared with the levels of the previous seven years.<sup>12</sup>

## Venture Capital Funds

Fundraising by venture capital funds continued to increase in 1995. Total funds raised by venture capital firms amounted to \$4.4 billion, a historic high (Table B.15).<sup>13</sup> Increased commitments from families and individuals and from banks and insurance companies accounted for the largest increases (Table B.16). The soaring venture-backed IPO markets contributed to strong

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<sup>10</sup> Finance companies continued to be the major lender in SBA's loan guarantee program. Most finance companies sell SBA-guaranteed loans on the secondary market immediately.

<sup>11</sup> Preliminary results of a study by George Haynes show that finance companies were very active in vehicle loans, equipment loans, and leasing. See George W. Haynes, *Finance Companies and Small Business Borrowers*, report no. PB96-146485, prepared for the U.S. Small Business Administration, Office of Advocacy (Springfield, Va: National Technical Information Service, June 1995).

<sup>12</sup> "IPOs Down, But Not Out," *Venture Capital Journal*, February 1995. <sup>13</sup> The venture capital market hit bottom when total commitments amounted to \$1.27 billion in 1991.

<sup>13</sup> The venture capital market hit bottom when total commitments amounted to \$1.27 billion in 1991.

enthusiasm for venture capital investment in 1995. The number of venture-backed IPOs increased to 181 valued at \$6.74 billion.<sup>14</sup> An active public offering market led to rates of return of more than 50 percent for venture capital investments.<sup>15</sup> Increasingly, many believed that current fundraising levels are too high and that the high rates of return will not be sustained.<sup>16</sup>

Disbursements to small businesses by small business investment companies (SBICs) continued to increase significantly, rising more than 5.7 percent to \$1.2 billion for 2,173 firms in 1995 (Table B.17).

## Research on Current Credit Conditions: SBA's Banking Studies

The availability of call report information allows researchers to study bank lending behavior with respect to small business. For the second year, the SBA's Office of Advocacy produced a national directory of banks ranked by their "small business friendliness."<sup>17</sup> All insured commercial banks (some 10,000) are rank-ordered in state directories by the sum of their commercial and industrial and commercial mortgage lending to small businesses.<sup>18</sup> The process developed for the ranking involved selecting five variables considered important indicators of small business lending:

- (1) The ratio of small business loans (defined here as loans of less than \$250,000) to assets.
- (2) The ratio of small business loans to total business loans.
- (3) The ratio of small business loans to deposits.

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<sup>14</sup> A sizzling stock market fueled the boom in initial public offerings (IPOs) and in the secondary offering market for venture-backed companies in 1995. One hundred fifty-two secondary offerings were issued in 1995, compared with 56 and 68 in 1994 and 1993 respectively. See *Venture Capital Journal*, February and April 1996 issues.

<sup>15</sup> "Venture Returns Skyrocket to 50.7 Percent," *Venture Capital Journal*, May 1996, 7.

<sup>16</sup> "Fundraising Swells to Record-Breaking High," *Venture Capital Journal*, July 1994, 40.

<sup>17</sup> The information for the study comes from the June 1995 call reports filed by each commercial bank with their bank regulatory agency. Reports are available for every state and the District of Columbia. See U.S. Small Business Administration, Office of Advocacy, *Small Business Lending in the United States, 1995 Edition*, report no. PB96-139001; for an IBM-PC compatible floppy disk, PB96-500814 (Springfield, Va.: National Technical Information Service, December 1995). The data are also available on the Internet: <http://www.sbaonline.sba.gov/SmallBusinessLending1995/>.

<sup>18</sup> As with all data sets, these state directories of small business lending are not perfect. For example: (1) Small business loans made with credit cards or as a second mortgage on the business owner's home may or may not be included as a business loan in the call reports. They may be included as a consumer loan instead. (2) Large banks may refer their small business borrowers to their consumer loan division or to their nonbank finance company. (3) If a small business lending bank places a portion of the loan into the secondary market, the dollar amount of loans will appear low, while the number of loans may appear high if they continue to service the loan. (4) Banks may provide lines of credit to small firms; if the credit is not drawn on, loans will not appear in the call report. Still, much useful information is found in the call reports and it is not clear whether the missing information affects the active small business lending banks more or less severely than the inactive banks. However, the missing information may bias the results against the large banks, since they are more likely to have nonbank financial services and consumer loan divisions. This area needs further research.

(4)The total amount of small business loans.

(5)The total number of small business loans.

The variables were then converted to decile rankings within each state so that they could be added together. The maximum score a bank could receive on the summary ranking was 50. Such a score would indicate that the bank was in the top decile (tenth decile) in each variable.<sup>19</sup> The minimum score was 5, which would indicate that the bank would fall in the lowest decile in all five categories.

The goals of this project were:

- (1) To provide more information to the users of banking services on the lending behavior of the commercial banks in their area. This information will allow depositors and borrowers to make wiser financial decisions and improve the market's efficiency.
- (2) To encourage small business advocates in the various states to publicize banks with the highest summary statistic as a way of encouraging more lending to small business. Increased competition to make loans to small firms will make more credit available, with better terms and at lower interest rates.

Additional research has been undertaken using the call report data. One study compared large and small banks' involvement in small business lending. The ratios of small business loans to total assets showed that most large banks are not active in small business lending. In general, the ratios of small business lending to assets, to total business loans, and to deposits decline as bank size increases. However it is measured, the probability of obtaining a small business loan is greater if the bank is small, and it decreases with increasing bank size.

It is true that these measurement methods favor small banks, whose loan limits require them to make only small loans. Less size-biased alternative indicators are being explored.

As expected, both the number and the dollar amount of loans increase with bank asset size, implying that larger banks, on average, make more loans than smaller banks. Clearly, both large and small banks are needed to meet the credit needs of small firms.

Nevertheless, small banks with less than \$100 million in assets and medium-sized banks with \$100 million-\$300 million in assets are the leaders in small business lending across the board. Not only do they rank in the top deciles in the ratios as expected, but they are also in the top deciles where large banks are expected to dominate, in the number and dollar amount of small loans.

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<sup>19</sup> A decile ranking denotes in which 10-percent portion of the distribution of the variable a bank falls. A bank in the top decile is above 90 percent of the banks in that category. A bank in the bottom decile falls below 90 to 100 percent of the banks; that is, it ranks among the lowest 10

A look at the distribution of banks by their small business loan-to-asset ratio indicates that 15.7 percent of the smallest banks in the less-than-\$100-million size class and 14.9 percent of the banks in the \$100 million–\$300 million size class make almost no small business loans. That is, they invest less than .05 percent of their assets in small loans. Then the percentages jump dramatically: 28.4 percent in the \$300 million–\$500 million size class; 42.9 percent in the \$500 million–\$3 billion size class and 88.3 percent in the less-than-\$3-billion size class make almost no small loans relative to their asset size.

A sample of small banks was queried about their lack of small business lending. Some two-thirds of the banks were limited-charter banks that accepted no deposits and/or made no loans. They serviced credit cards or provided cash management, controlled disbursements, investment banking, or import-export services.

Large banks have many options for their loan funds and often set up special nonbank subsidiaries to handle small business financing needs. Small business borrowers may be referred to the consumer credit section or credit card division of the bank, or a finance company subsidiary. Thus, call report information may underreport large bank loans to small businesses.

If “small-business-friendly” banks are defined as banks with a greater-than-30-percent small business loan-to-asset ratio, it is clear that smaller banks are more small-business-friendly. That is, the small-business-friendly banks are most likely to be found in the \$100 million–\$300 million or the less-than-\$100-million asset size classes.

## Profitability Study

Using a data base that included data from the 1994 and 1995 banking studies, Kolari, Berney and Ou analyzed whether banks that were small-business-friendly were more profitable than banks that did less small business lending.<sup>20</sup> The general results showed that the small-business-friendly banks were more profitable than the banks that did not actively lend to small firms. The results were strongest for the smaller banks than for the larger banks. When profits were adjusted for different measures of risk, the results were what economists would expect, that banks carried out their investing in small busi-

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<sup>20</sup> James Kolari, Robert Berney and Charles Ou, *The Effects of Small Business Lending on Bank Profits and Risk* (Springfield, Va.: National Technical Information Service, 1996). The study compares all banks in the top decile with banks in the bottom decile, banks in the second and third deciles with those in the eighth and ninth deciles, and the top three deciles with the bottom three. The study found there was a statistically significant difference using t-tests for three measures of profitability. When the data were adjusted for risk, the banks making the most small business loans were as profitable as those making any other investments. Comparisons of the 1994 data with the 1995 data indicate that the statistical relationships are getting stronger. While small business loans have a negligible effect on the profitability of large banks, they have either a neutral or a positive effect on the profitability of small banks, holding constant risk and other control variables.

ness to the point that the return in this area was equal to the return in any other area in which they might invest.

## The Large Bank Studies

The Office of Advocacy completed a second banking study on the behavior of large banks in 1995.<sup>21</sup> The variable used for the rank ordering was the dollar amount of small business loans, although the study provides additional information on asset size and ratio values.

When the lending of all their constituent banks is added together, the top two holding companies each provided more than \$3 billion in small business loans (loans of less than \$250,000), with both making some 100,000 loans. Twenty-three holding companies made more than \$1 billion in small business loans.

When the large banks were analyzed on a state-by-state basis, six banks, located in California, Florida, North Carolina and New Jersey, had more than \$1 billion in small business loans.

Future research will explore such topics as the effects of changing state and federal bank regulations on merging and branching.<sup>22</sup>

## Conclusion

Small businesses use a variety of financing sources, including internal resources, informal external sources such as friends and business associates, financial intermediaries such as banks and finance companies, and the public markets.

Moderate growth in the demand for credit and the easing of credit policy by the Federal Reserve Board contributed to declines in interest rates in the credit markets in 1995. Business borrowing surged to an annual rate of \$211 billion in 1995, a level comparable to the high levels of 1986-1988. A booming stock market contributed to a very active small business equity capital market.

Recent studies of banks' "small business friendliness"—measured in terms of percentages of loan portfolios dedicated to small firms—indicate that smaller banks are more small-business-friendly overall. However, a number of large banks are also important small business lenders in total dollars going to small firms.

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<sup>21</sup> U.S. Small Business Administration, Office of Advocacy, *The Top Small Business Lending Banks in the United States, 1995 Edition* (Springfield, Va.: National Technical Information Service, June 1996).

<sup>22</sup> Two contracts have been let by the Office of Advocacy to study the changing bank structure: James Kolari and Asghar Zardkoobi, Department of Finance, Texas A & M University, on The Impact of Structural Change in the Banking Industry on Small Business Lending and Joe Peek, Department Of Economics, Boston College on The Effect of Interstate Banking on Small Business Lending.

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**Table B.1** *Major Sources of Business Financing, 1995<sup>1</sup> (Billions of Dollars)*

	All Business	Dollar Amount	
		Large Business	Small Business
Assets and Debt: December 1994			
Total Assets	11,166	6,680	4,486
Total Debt <sup>2</sup>	5,499	3,363	2,136
Total Net Worth <sup>2</sup>	5,667	3,317	2,350
Other Debt and Net Worth Estimates <sup>3</sup>			
Commercial Paper <sup>4</sup>	163	163	0
Commercial Mortgages by Banks <sup>5</sup>	290	224	66
Commercial and Industrial Loans by Banks <sup>5</sup>	516	418	98
Trade Debt <sup>6</sup>	871	638	233
Finance Company Receivables from Businesses <sup>7</sup>	362	272	91
Initial Public Offerings of Common Stock <sup>8</sup>	127	117	10
Venture Capital Pool <sup>9</sup>	34	0	34

<sup>1</sup>Most estimates are stock estimates valued at June 1995 or as specified. Small businesses include all noncorporate businesses and small corporations with assets under \$25 million.

<sup>2</sup>Estimates by the Federal Reserve Board for nonfarm, nonfinancial corporations and nonfarm, noncorporate businesses. Total assets and debt for small corporations were estimated by applying 17.5 percent and 19.0 percent, respectively, to that of all corporations. Net worth is treated as a residual. (These ratios were estimated by using corporate tax return data published by the U.S. Department of the Treasury, Internal Revenue Service).

<sup>3</sup>Debt estimates below are as of June 1995. These estimates are obtained from sources using different methodologies. They are not strictly comparable and should not be summed for a total.

<sup>4</sup>Small business loans are defined as commercial mortgage debt outstanding for the nonfarm, noncorporate sector.

<sup>5</sup>Small business loans are defined as loans under \$250,000.

<sup>6</sup>The total represents the sum of trade payables for the nonfarm, noncorporate sector and small corporations. Totals for small corporations are estimated by applying 20 percent to trade credit for all nonfinancial corporations.

<sup>7</sup>The small business share was derived by applying a 25 percent share to the total.

<sup>8</sup>For December 1994. The total estimated cumulative value of initial public offerings of common stock for the period 1988 through 1994. Small businesses are businesses with assets under \$10 million before offering.

<sup>9</sup>For December 1994.

NA = Not available.

Source: Board of Governors of the Federal Reserve System, *Balance Sheets for the U.S. Economy 1945–1994* (Washington, D.C.: Board of Governors of the Federal Reserve System, June 1995); Tables B.103 and B.104, and Flow of Funds Accounts, Fourth Quarter (March 8, 1996).



**Table B.2** *Small Businesses Using Selected Financial Services by Firm Size, 1993 (Percent)\**

Category	Credit Lines, Loans, and Capital Leases							Nontraditional Credit			
	Any	Credit Line	Mortgage	Vehicle	Equipment	Capital Lease	Other	Loan from Owner	Credit Card		Trade Credit
									Personal	Business	
All Firms	55.48	25.54	6.18	24.09	14.00	9.20	11.68	16.67*	39.22	27.63	60.77
Firms by Employment Size (Number of Full-Time-Equivalent Employees)											
0-1	41.87	15.75	5.72	16.85	8.10	4.42	9.37	9.44	40.55	20.64	49.93
2-4	54.51	23.37	6.08	24.49	12.31	6.92	11.81	14.59	39.97	24.74	62.82
5-9	67.04	31.59	6.14	32.12	17.62	11.99	12.74	25.33	41.90	39.42	69.64
10-19	75.89	39.55	7.45	35.35	24.74	20.18	17.69	29.63	36.11	34.53	73.40
20-49	77.83	52.64	5.44	30.43	31.40	20.28	13.22	27.61	30.43	40.84	74.14
50-99	86.16	56.38	5.55	33.10	30.07	30.39	14.10	29.11	22.85	46.07	72.25
100-499	88.46	59.53	18.99	26.44	28.84	30.25	19.17	34.14	24.80	37.13	84.31

\* Loans from sole proprietors not included.

Source: Tabulations from 1993 National Survey of Small Business Finances. See John Wolken and Rebel Cole, "Financial Services Used by Small Businesses: Evidence from the 1993 National Survey of Small Business Finances," *Federal Reserve Bulletin*, July 1995.

**Table B.3** *Credit Borrowing by Borrowing Sector, 1980–1995 (Billions of Dollars)\**

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
<b>Total Domestic Borrowing</b>	<b>337.1</b>	<b>382.1</b>	<b>420.8</b>	<b>562.2</b>	<b>780.2</b>	<b>965.1</b>	<b>863.6</b>	<b>733.7</b>	<b>767.7</b>	<b>720.3</b>	<b>669.4</b>	<b>480.6</b>	<b>545.3</b>	<b>625.9</b>	<b>617.0</b>	<b>716.7</b>
<b>Government</b>																
Federal	77.4	85.5	161.3	185.2	197.2	225.7	216.0	143.9	155.1	146.4	246.9	278.2	304.0	256.1	155.9	144.4
State and Local	10.9	16.3	30.4	34.6	52.5	163.6	73.4	91.1	54.5	51.0	46.6	81.6	21.1	62.3	−43.4	−51.5
<b>Business</b>																
Farm	15.8	16.3	6.7	3.9	−0.4	−14.5	−17.4	−11.6	−10.2	0.6	1.0	2.1	1.3	2.0	2.8	1.7
Nonfarm -																
Noncorporate	55.8	44.7	71.2	72.2	109.2	121.2	94.3	55.5	84.2	69.6	1.1	−11.0	−16.0	7.0	12.1	37.9
Nonfinancial																
Corporate	66.2	115.5	68.1	81.0	198.7	168.4	236.3	148.7	225.0	183.2	110.0	−53.0	34.0	52.0	129.3	211.1
<b>Households</b>	111.2	103.9	83.2	185.3	223.0	300.8	261.1	306.5	259.1	269.5	263.7	182.7	200.7	246.5	360.3	371.1
<b>Foreign Borrowing in the United States</b>	NA	23.5	16.0	17.3	8.4	1.2	9.7	6.2	6.4	10.2	23.9	14.8	22.6	68.8	−20.3	67.4

NA = Not available.

\* Excluding equity and borrowing by financial institutions. Major revisions in estimates were made in 1994, 2nd quarter issue.

Source: Board of Governors of the Federal Reserve System, Flow of Funds Accounts, Fourth Quarter 1993: Flows and Outstandings (March 1995).

**Table B.4** *Major Sources and Uses of Funds by Nonfarm, Nonfinancial Corporate Businesses, 1980–1995*  
(Billions of Dollars)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Before-Tax Profit	181.1	180.9	133.0	156.0	191.0	167.6	151.3	214.9	200.0	236.5	236.5	217.1	256.7	302.8	371.4	394.4
Domestic Undistributed Profit	69.2	64.2	30.6	30.5	46.4	21.7	-2.1	41.3	73.6	32.2	20.5	4.7	29.8	17.5	54.8	57.0
Depreciation with Capital Consumption Adjustment	154.8	186.2	215.1	251.5	279.1	310.7	312.8	324.0	338.3	349.3	354.3	362.8	371.0	385.1	412.7	430.3
Total Internal Funds, on Book Basis	224.0	250.3	245.7	282.0	329.1	336.7	315.5	370.1	418.4	384.8	377.9	371.1	404.7	433.3	494.2	512.7
Net Increase in Liability	130.6	151.8	84.1	152.3	318.9	379.7	190.0	273.9	443.7	347.4	183.5	67.1	161.3	139.3	264.1	347.1
Funds Raised in Credit Markets	66.2	115.5	68.1	81.0	198.7	168.4	236.3	148.7	225.0	183.2	110.0	-53.0	34.1	52.0	129.3	211.1
Net New Equity Issues	10.4	-13.5	1.9	20.0	-79.0	-84.5	-85.0	-75.5	-129.5	-124.2	-63.0	18.3	27.0	21.3	-44.9	-79.0
Capital Expenditures	255.8	313.0	278.8	294.0	387.5	369.6	347.3	357.4	373.3	399.4	394.5	370.9	386.9	430.6	485.0	551.5
Net Financial Investment	-33.5	-43.4	-19.6	-35.9	-40.9	-105.6	-18.0	-39.4	-60.7	-113.9	-68.3	62.7	6.2	42.1	19.6	-60.4

Note: Major data revisions in September 1994.

Source: Board of Governors of the Federal Reserve System, *Flow of Funds Accounts, Fourth Quarter 1995: Flows and Outstandings* (March 1996).

**Table B.5** *Major Sources and Uses of Funds by Nonfarm, Noncorporate Businesses, 1980–1995*  
(Billions of Dollars) \*

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Net Income	176.0	182.3	183.5	213.4	274.3	298.1	306.7	331.9	378.2	407.0	434.9	450.1	504.2	517.5	548.4	587.4
Gross Investment	48.7	56.7	63.1	65.2	55.8	59.6	64.0	67.7	72.8	77.0	80.6	83.7	88.0	90.1	91.9	76.7
Fixed Capital																
Expenditures	63.6	72.2	70.6	69.9	92.6	104.1	106.6	107.4	112.9	118.0	106.4	92.3	85.4	99.6	120.0	136.1
Changes in																
Inventories	-.2	0.8	-1.0	0.5	3.1	10.0	0.6	1.5	1.1	1.6	0.3	0.1	-0.1	1.3	2.3	2.0
Net Financial																
Investments	-14.7	-16.3	-6.4	-5.1	-39.9	-45.5	-43.1	-41.2	-41.2	-42.6	-26.1	-8.5	2.4	-10.9	-30.5	-61.5
Net Increase in Credit																
Market Debt	55.8	44.7	71.6	86.7	109.2	111.6	48.1	25.7	87.6	61.1	13.8	1.8	10.9	24.0	44.0	76.7
Mortgages	45.7	23.3	76.0	74.0	83.8	109.1	82.7	39.9	68.5	56.1	4.1	-5.9	-15.1	6.1	-5.9	16.7
Net Investment by																
Proprietors	-42.1	-37.9	-76.4	-65.0	-23.3	-26.5	-53.1	-28.0	-15.6	-28.1	20.3	-0.6	11.8	10.2	24.7	28.3

\* Major revisions for 1984-1994.

Source: Board of Governors of the Federal Reserve System, *Flow of Funds Accounts, Fourth Quarter 1995: Flows and Outstandings* (March 1996).

**Table B.6** *Short-Term and Long-Term Loan Rates for Small Loans by All Commercial Banks, February 1986–November 1995<sup>1</sup>*

	Short-Term Loans <sup>2</sup>			Long-Term Loans	
	Fixed Rate	Floating Rate	Prime Rate	Fixed Rate	Floating Rate
1995					
November	10.01	10.22	8.75	9.77	10.12
August	10.09	10.24	8.75	10.03	10.05
May	9.56	10.29	9.00	10.12	10.40
February	9.33	10.30	9.00	9.82	10.12
1994					
November	7.96	9.11	8.15	9.42	9.21
August	8.74	8.54	7.51	8.92	8.46
May	8.01	8.12	6.99	8.57	8.24
February	7.96	7.49	6.00	7.35	7.64
1993					
November	8.08	7.41	6.00	8.33	7.60
August	8.50	7.40	6.00	8.59	7.63
May	8.27	7.48	6.00	8.80	7.77
February	8.43	7.42	6.00	8.98	8.13
1992					
November	8.64	7.53		9.28	7.95
August	8.94	7.48	6.00	9.41	7.71
May	7.89	7.78	6.50	9.17	7.79
February	8.18	7.80	6.50	9.07	7.84
1991					
November	9.35	8.95	7.50	10.05	9.03
August	11.20	10.16	8.50	11.26	10.37
May	11.19	10.22	8.50	11.24	10.64
February	11.29	10.68	9.00	11.73	11.12
1990					
November	11.90	11.87	10.00	12.30	12.06
August	12.06	11.84	10.00	12.15	12.08
May	11.87	11.96	10.00	11.99	12.05
February	12.12	11.96	10.00	12.29	12.19
1989					
November	12.38	12.45	10.50	12.28	12.48
August	12.67	12.49	10.50	12.42	12.66
May	13.37	13.46	11.50	13.16	13.74
February	12.26	12.54	10.93	14.08	12.66
1988					
November	11.94	11.90	10.05	12.65	12.05
August	11.43	11.48	9.84	11.53	11.59
May	10.90	10.38	8.84	11.77	10.62
February	11.17	10.48	8.51	11.90	10.88
1987					
November	11.29	10.78	8.78	11.93	11.28
August	10.66	10.15	8.70	12.11	10.15
May	11.10	9.85	8.25	11.22	10.08
February	10.51	9.41	7.50	11.04	9.81
1986					
November	10.55	9.51	7.5	11.35	9.41
August	10.94	9.90	7.9	11.84	9.99
May	11.34	10.42	8.5	12.28	10.54
February	12.52	11.46	9.5	13.02	11.77

<sup>1</sup>Small loans refer to loans under \$100,000.

<sup>2</sup>For rates before November 1990, averages of loan rates for three loan sizes: under \$25,000, \$25,000 to under \$50,000, and \$50,000 to under \$100,000.

Source: Board of Governors of the Federal Reserve System, *Survey of Terms of Bank Lending*, Statistical Release E.2, various issues; and *Federal Reserve Bulletin*, various issues.

**Table B.7** *Loan Rates Charged by Banks on Loans Made in November 1994 and November 1995*

	Loan Size (Thousands of Dollars)			
	1-99	100-499	500-999	1,000+
<b>November 1995</b>				
<b>Large Banks</b>				
Short-Term Loans				
Fixed Rate	8.98	7.96	7.44	*6.72
Floating Rate	10.04	9.64	9.20	*7.82
Term Loans				
Fixed Rate	9.32	8.32	8.22	7.71
Floating Rate	9.81	9.42	9.06	8.12
<b>Small Banks</b>				
Short-Term Loans				
Fixed Rate	10.11	9.04	7.83	6.69
Floating Rate	10.32	9.76	9.56	8.23
Term Loans				
Fixed Rate	9.81	9.31	8.86	7.22
Floating Rate	10.22	9.59	9.41	8.21
<b>November 1994</b>				
<b>Large Banks</b>				
Short-Term Loans				
Fixed Rate	7.41	6.78	6.61	*5.75
Floating Rate	8.87	8.51	8.16	*6.60
Term Loans				
Fixed Rate	9.21	7.82	6.94	6.40
Floating Rate	8.60	8.40	8.15	7.14
<b>Small Banks</b>				
Short-Term Loans				
Fixed Rate	7.78	8.23	6.68	5.78
Floating Rate	9.21	8.67	8.46	7.24
Term Loans				
Fixed Rate	9.43	9.00	7.01	6.82
Floating Rate	9.4	8.46	8.17	7.54

\*Averages of loan rates for three loan sizes: \$1 million—\$5 million, \$5 million—\$10 million, and \$10 million and over.

Source: Board of Governors of the Federal Reserve System, *Survey of Terms of Bank Lending*, Statistical Release E.2 (December 16, 1994 and December 13, 1995).

**Table B.8** *Commercial and Industrial Loans by Large Weekly Reporting and Other Commercial Banks, December 31, 1980–December 31, 1995 (Billions of Dollars)*<sup>1</sup>

	All Banks		Large Weekly Reporting Banks		Other Banks		Annual Change in GDP Deflator <sup>2</sup> (Percent)
	Amount	Change (Percent)	Amount	Change (Percent)	Amount	Change (Percent)	
December 31, 1995	716.6	11.3	348.3	10.8	368.3	11.7	2.1
December 31, 1994	643.9	9.7	314.3	14.8	329.6	5.1	2.5
December 31, 1993	586.9	−2.3	273.7	−1.5	313.6	−2.8	2.3
December 31, 1992	600.6	−3.1	277.9	−4.3	322.7	−2.0	2.5
December 31, 1991	619.1	−4.5	290.1	−8.4	329.0	−0.8	2.6
December 31, 1990	648.0	0.8	316.6	−0.7	331.4	2.7	3.4
December 31, 1989	642.6	3.4	318.8	5.6	322.8	6.9	4.6
December 31, 1988	605.0	6.8	302.0	8.1	303.0	4.5	3.9
December 31, 1987	566.4	5.1	279.5	−3.3	289.9	16.0	4.0
December 31, 1986	539.0	7.3	289.1	11.2	249.9	3.2	3.2
December 31, 1985	502.1	5.7	260.0	3.4	242.1	8.1	2.5
December 31, 1984	474.9	14.2	251.4	12.3	223.9	16.7	3.5
December 31, 1983	415.7	4.9	223.9	2.5	191.8	7.9	3.8
December 31, 1982	396.2	10.0	218.5	10.9	177.7	9.0	5.3
December 31, 1981	360.1	10.7	197.0	11.9	163.1	9.3	8.5
December 31, 1980	325.3		176.1		149.2		

<sup>1</sup>Not seasonally adjusted. Large weekly reporting banks are banks with domestic assets of \$1.4 billion or more as of December 31, 1982.

<sup>2</sup>Changes from the fourth quarter of the previous year.

Source: Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*, various issues; idem, "Revised Bank Credit Series," March 9, 1988; U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, various issues.

**Table B.9** *Growth of Business Loans at U.S. Commercial Banks<sup>1</sup> that Make Loans Primarily to Small Businesses, 1989–1995<sup>2</sup>*

Year	Total Business <sup>3</sup>	Type of Loan	
		Commercial and Industrial	Nonfarm, Nonresidential Real Estate
Amount Outstanding, June 30 (Billions of Dollars)			
1995	68.9	35.5	33.4
1994	61.6	31.5	29.6
1993	55.5	29.0	26.5
1992	53.4	28.8	24.6
1991	51.2	29.0	22.2
1990	49.1	29.2	19.9
1989	45.5	27.8	17.7
Percentage Change, June to June			
1995	12.8	12.7	12.8
1994	10.3	8.6	11.7
1993	4.1	0.7	7.7
1992	4.3	−0.7	10.8
1991	4.5	−0.7	11.6
1990	7.9	5.0	12.4

<sup>1</sup>U.S. domestically chartered commercial banks, excluding credit card banks and U.S. branches and agencies of foreign banks. U.S. branches and agencies of foreign banks held approximately \$156 billion in commercial and industrial loans on June 30, 1995, almost all of which were greater than \$1 million; credit card banks held less than \$1 billion of commercial and industrial loans.

<sup>2</sup>Data include banks that reported that 95 percent or more of their total business loans were in original amounts of less than \$1 million. The number of such banks totaled 7,375 on June 30, 1995. About 300 of these banks were excluded from the calculations because they were not in operation six years prior to 1995. These numbers do not include the growth of small business loans at banks that lend to larger businesses as well as to small businesses, and hence should not be interpreted as the growth rate of total small business loans.

<sup>3</sup>Construction and land development loans not included.

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from Federal Reserve Board estimates based on call reports (Consolidated Reports of Condition and Income for U.S. Banks), 1989–1995.



**Table B.10** *Number and Amount of Loans by Loan Size and Asset Size of Bank, June 30, 1995*

Bank's Asset Size (Millions of Dollars)	Loan Sizes									
	Under \$100,000		\$100,000–\$250,000		\$250,000–\$1 Million		Under \$1 Million		Over \$1 Million	Total, All Sizes
	Number	Amount (Millions of Dollars)	Number	Amount (Millions of Dollars)	Number	Amount (Millions of Dollars)	Number	Amount (Millions of Dollars)	(Millions of Dollars)	(Millions of Dollars)
<b>Commercial and Industrial Loans</b>										
0-\$100	898,479	18,559	36,634	3,945	17,457	4,744	952,570	27,249	954	28,203
\$100-\$300	710,458	14,838	54,284	5,791	35,166	9,907	799,908	30,536	5,076	35,612
\$300-\$500	218,401	4,362	22,229	2,336	15,822	4,519	256,452	11,216	4,321	15,538
\$500-\$3,000	999,813	9,629	62,573	5,959	48,822	13,547	1,111,208	29,135	35,482	64,617
Over \$3,000	1,308,731	19,611	126,778	13,293	117,833	34,231	1,553,342	67,135	305,127	372,262
Total	4,135,882	66,999	302,498	31,324	235,100	66,948	4,673,480	165,271	350,960	516,232
<b>Nonfarm, Nonresidential Real Estate Loans</b>										
0-\$100	255,436	11,409	36,722	4,736	25,771	8,576	317,839	24,721	1,373	26,094
\$100-\$300	199,467	9,230	55,932	7,091	47,139	17,060	302,538	33,382	8,016	41,398
\$300-\$500	49,506	2,198	21,079	2,717	18,425	7,084	89,010	11,999	5,287	17,287
\$500-\$3,000	93,441	4,100	48,809	6,309	45,674	17,771	187,924	28,179	24,995	53,175
Over \$3,000	151,424	6,438	88,811	11,339	89,345	34,583	329,580	52,360	99,446	151,805
Total	749,184	33,374	251,353	32,193	226,354	85,074	1,226,891	150,641	139,118	289,759
<b>Total Business Loans</b>										
0-\$100	1,153,825	29,968	73,356	8,682	43,228	13,320	1,270,409	51,970	2,327	54,297
\$100-\$300	909,925	24,069	110,216	12,882	82,305	26,967	1,102,446	63,917	13,092	77,010
\$300-\$500	267,907	6,560	43,308	5,053	34,247	11,603	345,462	23,216	9,609	32,824
\$500-\$3,000	1,093,254	13,729	111,382	12,268	94,496	31,318	1,299,132	57,314	60,478	117,792
Over \$3,000	1,460,155	26,049	215,589	24,632	207,178	68,814	1,882,922	119,495	404,572	524,068
Total	4,885,066	100,374	553,851	63,517	461,454	152,022	5,900,371	315,912	490,078	805,991

Note: Loans are reported by loan size; loans under \$1 million are assumed to represent small business lending.

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from special tabulations of the June 1995 call reports (Consolidated Reports of Condition and Income for U.S. Banks) prepared by James Kolari, Texas A&M University, College Station, Texas.

**Table B.11** *Small Business Lending by Loan Size, 1994 and 1995 (Amount in Millions of Dollars)*

	Loan Sizes													
	Under \$100,000		\$100,000–\$250,000		Total Under \$250,000		Under \$250,000—\$1 Million		Total Under \$1 Million		Over \$1 Million		Total All Sizes	
	Dollar Amount	Percent of Total	Dollar Amount	Percent of Total	Dollar Amount	Percent of Total	Dollar Amount	Percent of Total	Dollar Amount	Percent of Total	Dollar Amount	Percent of Total	Dollar Amount	Percent of Total
<b>June 1994</b>														
Commercial and Industrial														
Loans	64,073	14.1	28,637	6.3	92,710	20.3	61,875	13.6	154,585	33.9	301,170	66.1	455,755	100.0
Nonfarm, Nonresidential														
Real Estate Loans	33,602	12.3	29,228	10.7	62,830	23.0	77,001	28.2	139,831	51.2	133,129	48.8	272,960	100.0
Total Business Loans	97,675	13.4	57,866	7.9	155,541	21.3	138,876	19.1	294,417	40.4	434,299	59.6	728,716	100.0
<b>June 1995</b>														
Commercial and Industrial														
Loans	66,999	13.0	31,324	6.1	98,323	19.0	66,948	13.0	165,271	32.0	350,960	68.0	516,232	100.0
Nonfarm, Nonresidential														
Real Estate Loans	33,374	11.5	32,193	11.1	65,567	22.6	85,074	29.4	150,641	52.0	139,118	48.0	289,759	100.0
Total Business Loans	100,374	12.5	63,517	7.9	163,891	20.3	152,022	18.9	315,912	39.2	490,078	60.8	805,991	100.0
<b>Changes from 1994 to 1995</b>														
Commercial and Industrial														
Loans	2,926.4	4.6	2,686.8	9.4	5,613.2	6.1	5,072.9	8.2	10,686.1	6.9	49,790.4	16.5	60,476.5	13.3
Nonfarm, Nonresidential														
Real Estate Loans	(227.6)	−0.7	2,965.0	10.1	2,737.3	4.4	8,072.8	10.5	10,810.1	7.7	5,989.0	4.51	6,799.1	6.2
Total Business Loans	2,698.8	2.8	5,650.8	9.8	8,349.5	5.4	13,145.7	9.5	21,495.2	7.3	55,779.4	12.8	77,274.6	10.6

Note: Loans under \$1 million are assumed to represent small business lending.

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from special tabulations of the June 1995 call reports (Consolidated Reports of Condition and Income for U.S. Banks) prepared by James Kolari, Texas A&M University, College Station, Texas.

**Table B.12** *Share of Loans by Loan Type and Size and Asset Size of Bank, June 30, 1995 (Percent)*

Bank's Asset Size (Millions of Dollars)	Loan Sizes									
	Under \$100,000		\$100,000–\$250,000		\$250,000–\$1 Million		Under \$1 Million		Over \$1 Million (Dollar Amount)	Total, (Dollar Amount)
	Number	Dollar Amount	Number	Dollar Amount	Number	Dollar Amount	Number	Dollar Amount		
<b>Commercial and Industrial Loans</b>										
0-\$100	21.7	27.7	12.1	12.6	7.4	7.1	20.4	16.5	0.3	5.5
\$100-\$300	17.2	22.1	17.9	18.5	15.0	14.8	17.1	18.5	1.4	6.9
\$300-\$500	5.3	6.5	7.3	7.5	6.7	6.7	5.5	6.8	1.2	3.0
\$500-\$3,000	24.2	14.4	20.7	19.0	20.8	20.2	23.8	17.6	10.1	12.5
Over \$3,000	31.6	29.3	41.9	42.4	50.1	51.1	33.2	40.6	86.9	72.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Nonfarm, Nonresidential</b>										
<b>Real Estate Loans</b>										
0-\$100	34.1	34.2	14.6	14.7	11.4	10.1	25.9	16.4	1.0	9.0
\$100-\$300	26.6	27.7	22.3	22.0	20.8	20.1	24.7	22.2	5.8	14.3
\$300-\$500	6.6	6.6	8.4	8.4	8.1	8.3	7.3	8.0	3.8	6.0
\$500-\$3,000	12.5	12.3	19.4	19.6	20.2	20.9	15.3	18.7	18.0	18.4
Over \$3,000	20.2	19.3	35.3	35.2	39.5	40.7	26.9	34.8	71.5	52.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Total Business Loans</b>										
0-\$100	23.6	29.9	13.2	13.7	9.4	8.8	21.5	16.5	0.5	6.7
\$100-\$300	18.6	24.0	19.9	20.3	17.8	17.7	18.7	20.2	2.7	9.6
\$300-\$500	5.5	6.5	7.8	8.0	7.4	7.6	5.9	7.3	2.0	4.1
\$500-\$3,000	22.4	13.7	20.1	19.3	20.5	20.6	22.0	18.1	12.3	14.6
Over \$3,000	29.9	26.0	38.9	38.8	44.9	45.3	31.9	37.8	82.6	65.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Loans under \$1 million are assumed to represent small business lending.

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from special tabulations of the June 1995 call reports (Consolidated Reports of Condition and Income for U.S. Banks) prepared by James Kolari, Texas A&M University, College Station, Texas.

**Table B.13** *Business Loans Outstanding from Finance Companies, December 31, 1980–September 30, 1995*

	Total Receivables Outstandings		Annual Change in Chain-Type <sup>1</sup> Price Index for GDP (Percent)
	Billions of Dollars	Change (Percent)	
September 30, 1995	362.4	7.4 <sup>2</sup>	2.1
December 31, 1994	331.6	14.6	2.5
December 31, 1993	294.6	-2.3	2.3
December 31, 1992	301.3	1.9	2.5
December 31, 1991	295.8	0.9	2.6
December 31, 1990	293.6	14.6	3.4
December 31, 1989	256.0	9.1	4.6
December 31, 1988	234.6	13.9	3.9
December 31, 1987	206.0	19.7	4.0
December 31, 1986	172.1	9.3	3.2
December 31, 1985	157.5	14.3	2.5
December 31, 1984	137.8	21.9	3.5
December 31, 1983	113.4	12.9	3.8
December 31, 1982	100.4	0	5.3
December 31, 1981	100.3	11.1	8.5
December 31, 1980	90.3		

<sup>1</sup>Changes from the fourth quarter of the year before.

<sup>2</sup>Annualized rate of change.

Source: Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*, Table 1.52, various issues; U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, various issues.

**Table B.14** *Common Stock Initial Public Offerings by All and Small Issuers, 1988–1995 (Millions of Dollars)\**

	Common Stock	
	Number	Amount
<b>Offerings by All Issuers</b>		
1995	579	29,671
1994	608	28,446
1993	709	41,721
1992	517	24,139
1991	367	16,411
1990	172	4,519
1989	209	6,082
1988	228	5,940
<b>Offerings by Issuers with Assets of \$10 Million or Less</b>		
1995	189	3,147
1994	201	2,079
1993	203	2,798
1992	171	2,241
1991	109	1,227
1990	65	412
1989	89	584
1988	83	656
<b>Offerings by Nonfinancial Issuers with Assets of \$10 Million or Less</b>		
1995	182	3,099
1994	189	1,974
1993	189	2,043
1992	164	1,919
1991	103	1,182
1990	58	354
1989	84	562
1988	71	366

\*Excludes closed-end funds. Registered offerings data from the Securities and Exchange Commission are no longer available. Data provided by Securities Data Company are not as inclusive as those registered with the SEC.

Source: Special tabulations prepared for the U.S. Small Business Administration, Office of Advocacy, by Securities Data Company, Inc., 1996.

**Table B.15** *New Commitments, Disbursements, and Total Capital Pool of the Venture Capital Industry, 1982–1995*

Year	New Commitments to Venture Capital Firms (Billions of Dollars)	Disbursements to Funded Companies (Billions of Dollars)	Number of Funded Companies	Total Investment Capital Pool At End of Year* (Billions of Dollars)
1995	4.4	NA	NA	NA
1994	3.8	2.7	1,011	34.1
1993	2.5	3.1	969	34.8
1992	2.5	2.5	1,207	31.1
1991	1.3	1.4	792	32.9
1990	1.8	2.3	1,176	36.0
1989	2.4	3.4	1,465	34.4
1988	2.9	3.8	1,530	31.1
1987	4.1	4.0	1,740	29.0
1986	3.3	3.2	1,512	24.1
1985	3.3	2.7	1,388	19.6
1984	4.2	2.7	1,410	16.3
1983	4.5	2.5	1,236	12.1
1982	1.7	1.4	828	6.7

NA—not available

\*The capital pool at year end should equal the total pool at the end of the previous year plus new commitments, minus the amount of net withdrawal (or liquidation) from the funds. For 1983, an additional \$600 million was identified which had not been included in the prior estimate.

Source: Capital Publishing Corporation, *Venture Capital Journal* (various issues).

**Table B.16** *Sources of Capital Committed to Independent Venture Funds, 1983–1995 (Percent)*

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
<b>Total (Billions of Dollars)</b>	<b>3.4</b>	<b>3.2</b>	<b>2.3</b>	<b>3.3</b>	<b>4.2</b>	<b>2.8</b>	<b>2.4</b>	<b>1.8</b>	<b>1.3</b>	<b>2.5</b>	<b>2.5</b>	<b>3.8</b>	<b>4.4</b>
Share Contributed by:													
Pension Funds	31	34	33	50	39	46	36	53	42	42	59	46	38
Foreign Sources/ Others	16	18	23	11	13	14	13	7	12	11	4	2	3
Corporations	12	14	12	11	11	11	20	7	4	3	8	9	2
Endowments	8	6	8	6	10	12	12	13	24	19	11	21	22
Individuals	21	15	13	12	12	8	6	11	12	11	7	12	17
Banks/Insurance Companies	12	13	11	10	15	9	13	9	6	15	11	9	18
Total	100	100	100	100	100	100	100	100	100	100	100	100	100

Note: Data may not add to 100 percent because of rounding.

Source: Capital Publishing Corporation, *Venture Capital Journal* (various issues).

**Table B.17** *Disbursements to Small Business by Small Business Investment Companies (SBICs) and 301(d) SBICs, 1980–1995 (Millions of Dollars)*

Year	Total		SBICs		301(d) *	
	Number	Amount	Number	Amount	Number	Amount
1995	2,173	1,184.4	1,045	1,036.1	1,128	148.3
1994	2,375	1,120.6	1,070	965.2	1,305	155.4
1993	2,302	923.6	986	784.9	1,316	138.7
1992	1,633	484.2	767	395.7	866	88.5
1991	2,044	460.1	1,036	364.2	1,008	95.9
1990	2,367	645.2	1,334	545.9	1,033	99.3
1989	3,322	690.0	1,876	542.4	1,446	147.6
1988	3,724	750.9	2,227	614.4	1,497	136.5
1987	4,128	680.5	2,522	537.9	1,606	142.6
1986	4,333	620.8	2,675	75.9	1,658	144.9
1985	4,205	542.3	2,756	434.6	1,449	107.7
1984	3,990	513.9	2,755	425.5	1,235	88.0
1983	3,247	468.8	2,464	412.9	783	55.9
1982	2,941	369.9	2,177	322.9	764	47.0
1981	3,176	387.1	2,434	332.7	742	54.4
1980	2,637	337.4	2,090	295.2	547	42.2

\*301(d) companies are minority or economically disadvantaged small business investment companies.

Source: U.S. Small Business Administration, Investment Division.